

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 NEA-10 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FEA-01 PA-01 PRS-01 /116 W
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R 141601Z JAN 76

FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9210
INFO AMCONSUL ALEXANDRIA
AMEMBASSY BELGRADE
AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY ISLAMABD
AMEMBASSY KINGSTON
AMEMBASSY KINSHASA
AMEMBASSY LIMA
AMEMBASSY LUSAKA
AMEMBASSY MEXICO
AMEMBASSY NEW DELHI
AMEMBASSY YAOUNDE

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EO 11652: NA

TAGS: EFIN ENRG

SUBJECT: CIEC: IMPACT OF HIGHER OIL PRICES ON ECONOMIC DEVELOPMENT

REF: STATE 006381,

1. WHILE OIL PRICES RISES SINCE 1973 UNDOUBTEDLY HAVE ADDED
TO INFLATIONARY PRESSURES HERE AS ELSEWHERE IN THE WORLD,
EGYPT'S FORTUNES ARE SO VITALLY LINKED TO THE VERY SURPLUS
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REVENUES GENERATED BY OPEC PRICE INCREASES THAT WE ARE

UNABLE TO IMAGINE GOE VIEWING WITH ALARM marginally
INCREASED DEVELOPMENT COSTS ATTRIBUTABLE TO OPEC ACTION.
FURTHER, AND OF CONSIDERABLE SIGNIFICANCE, EGYPT GRADUALLY
APPROACHED POSITION OF SELF-SUFFICIENCY IN OIL DURING
PERIOD 1972-75, DESPITE DISLOCATIONS OF OCTOBER WAR,
AND FULLY EXPECTS TO BE NET EXPORTER IN 1976.
RENEWED PRODUCTION IN RED SEA
IN MARCH 1975, RETURN OF ABU RUDEIS FIELD LATE 1975 AND
RECENTLY REPORTED FINDS SUPPORT GOE ESTIMATE OF MORE
THAN TWO-FOLD PRODUCTION INCREASE IN 1976 OVER PREVIOUS
YEAR'S TOTAL. MINPETROLEUM HILAL PRESENTED DATA TO
PEOPLE'S ASSEMBLY INDUSTRY COMMITTEE JANUARY 13 WHICH,
WHILE NOT ENTIRELY CLEAR, INDICATE GOE ANTICIPATES NET
PETROLEUM EXPORT EARNINGS OF LE 125 MILLION (\$320 MILLION)
THIS YEAR AND LE 460 MILLION (\$1,178 MILLION) IN 1980.

2. GOE'S INTERNATIONAL PERSPECTIVE ALSO IS COLORED BY
ADVANTAGES TO EGYPT, ON BALANCE, OF HIGH PRICES. GOVT. IS
WELL AWARE OF FINANCIAL EFFECT OF OIL CRISIS ON PROSPECTIVE
DONOR NATIONS THROUGH BILATERAL TALKS ON ASSISTANCE. TRADE
PROBLEMS ARISING FROM WORLD RECESSION IN RECENT TIMES,
TOO, ARE FAMILIAR TO GOE POLICY MAKERS. NONE OF THESE
ADVERSE FACTORS HAVE SUFFICIENT IMPACT ON EGYPT TO OUTWEIGH
POSITIVE BENEFITS OF OIL MONEY, HOWEVER, WHETHER GAINED AS
LOANS, GRANTS OR EXPORT EARNING.

3. EGYPT THUS HAS BEEN AND WILL CONTINUE TO BE NET
GAINER, NOT LOSER, AS RESULT OF HIGHER PRICES FOR OIL.
ITS INTERESTS LIE IN MAINTAINING THOSE PRICES.

4. FOR THE RECORD, AVAILABLE DATA ON EGYPTIAN OIL TRADE
IN BRIEF FOLLOW BY SEPTTEL. (SEE ALSO CERP 4250 REPORTING
AND ENCLOSURE TO BEIRUT'S A-143, 6/5/75, WHICH PROVIDES
USEFUL PUBLISHED DETAIL ON EGYPTIAN EXPLORATION AND
PRODUCTION THROUGH 1974).
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